

Samuel Terry Absolute Return Fund – November 2014 monthly report

The Fund's performance (net of fees), and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

| To 30 November 2014 | STAR | All Ords | MSCI (\$A) |
|---------------------------------------|--------|----------|------------|
| 1 month | 4.41% | -3.20% | 5.16% |
| 3 months | 9.97% | -4.66% | 8.77% |
| 1 year | 24.29% | 3.98% | 15.50% |
| 3 years (%p.a.) | 21.12% | 12.98% | 22.43% |
| 5 years (%p.a.) | 23.73% | 6.81% | 12.22% |
| Since inception on 1 Nov 2003 (%p.a.) | 12.12% | 8.92% | 6.38% |

The Fund's good performance had two main causes. The largest was that we revalued our shares in Australian property company, **Asset Resolution Ltd** (3.2% of the Fund) after ARL declared a capital repayment of 1.0c per share. We had valued the shares at our cost price of 1.0c, but now value them at 0.7c, after payment of the 1.0c. ARL shares are unlisted, but we are comfortable that our valuation is conservative.

Our other big winner, adding a total of 2.9% to the Fund, were our option positions. These included put options on the Australian dollar, put options on oil (sadly, expiring before the best of the recent collapse) and call options on the S&P 500 Index.

Our biggest loser was Russia's largest bank, **Sberbank** (2.1% of the Fund) which fell 19% in \$US terms, mostly because of the weakening rouble. Russia's economic outlook is poor, which will hurt Sberbank over the next year or two. From a longer-term perspective, Sberbank's size and strength give it ample opportunity to use the current turmoil to increase its dominance of Russia's banking system.

We started buying some debt issued by a bankrupt company and hope to buy a lot more of it at the price we paid.

The Fund's net asset value per unit was \$1.4385 at month end. The Fund owned securities issued by 25 companies. 18.3% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess
11 December 2014

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